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# **Tobin & Co.**

Bingham Township

Leelanau County, Michigan

Audit Report

For the Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Bingham Township	County* Leelanau	Type* Township	MuniCode*
Opinion Date-Use Calendar* 10/28/08	Audit Submitted-Use Calendar* 12/30/08	Fiscal Year End Month* June	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 300,372
General Fund Expenditure:	? 259,988
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 293,277
Governmental Activities Long-Term Debt (see instructions):	? - 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* JOHN	Last Name* TOBIN	Ten Digit License Number* 1101005221		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Tobin & Co., PC	Unit's Street Address* 7171 S CENTER Hwy	Unit's City* Traverse City	Unit's Zip* 49684	

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# Tobin & Co.

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Bingham Township, Leelanau County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Bingham Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### Internal Control

Management is responsible for establishing and maintaining a system of internal control. Internal control is a system of policies and procedures designed to provide, among other things, reasonable assurance that assets are safeguarded against unauthorized use and disposition and that financial reports are accurate. Some minimum requirements of a sound system of internal control include numerically controlled receipts, timely bank deposits, and monthly reconciliation of all bank accounts to general ledger balances.

We found that the Clerk and Treasurer were cooperating in carrying out their statutory duties. The books and records were properly maintained.

The transactions of all three Township funds are accounted for in one computer file. The accounting should be separated into three separate files. This will make it easier to prepare financial reports by fund.

### Budgets and Procedures

The budget adopted for the year was approved by cost-center. Board minutes indicate that expenditures were compared to budgeted amounts periodically during the year, and budgets were amended when necessary. The Township has three separate governmental funds, the General Fund, the Public Improvement Fund, and the Building Authority Debt Fund. Budgets for each of these funds should be adopted each year. If funds are transferred from the Public Improvement Fund to the General Fund so that the General Fund can write a check for a public improvement, that disbursement needs to be budgeted as a capital outlay in the Public Improvement Fund.

In addition, the Township levies property taxes for the Suttons Bay Bingham Fire and Rescue Authority. These tax revenues and the disbursement of these taxes to the Fire and Rescue Authority should be budgeted and recorded, as well as disbursements to the Building Authority for debt service.

### General Fund

The General Fund is presented on Schedule 1 of this report. Fund balance at June 30, 2008 was \$293,277.

### Public Improvement Fund

This Fund is permitted by statute to set aside certain funds for public improvements. The Fund balance at June 30, 2008 was \$77,854.

### Building Authority Debt Fund

The Township levies a tax to pay for the Suttons Bay facility of the Suttons Bay Bingham Fire and Rescue Authority. The arrangement is being accounted for as a capital lease in which Bingham and Suttons Bay Townships are remitting funds to the Building Authority when debt service payments are due. When the debt is paid off, the facility will be turned over to the Fire and Rescue Authority. During the year \$78,785 in property taxes was collected, and disbursements amounting to \$74,570 were made to the Building Authority to service debt. The fund balance at June 30, 2008 was \$109,549.

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# **Tobin & Co.**

## Comments and Recommendations

### Capital Assets

Government Accounting Standards Board Statement No. 34 requires that the Township land, buildings, and equipment be recorded on the statement of net assets and depreciated over the useful lives of the assets. The assets are presented in the statement of net assets.

### Payroll Procedures

Payroll tax returns appeared to have been properly filed and taxes paid during the year.

### Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, and workmen's compensation. Board minutes indicate coverage was reviewed during the audit year. The Clerk, Treasurer, and their deputies have surety bond coverage.

### Investments

Michigan State law covering investments of surplus funds of townships was changed in 1997. The Township adopted a written investment policy in November 1998. There were no investments at June 30, 2008.

### Other Data

Interest bearing depository accounts were used by the Township Treasurer. This practice resulted in earned interest of over \$17,000 for the audit year.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Bingham Township  
Leelanau County  
Traverse City, Michigan 49684-9592

We have audited the basic financial statements of Bingham Township as of and for the year ended June 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of such funds of Bingham Township at June 30, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Bingham Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Tobin & Co., P.C.*

TOBIN & CO., P.C.  
Certified Public Accountants  
October 28, 2008



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# **Tobin & Co.**

## **Management's Discussion and Analysis**

As the Township Board of Bingham Township, Leelanau County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Bingham Township for the fiscal year ended June 30, 2008.

### **Financial Highlights**

The assets of Bingham Township exceeded its liabilities at the close of the most recent fiscal year by \$1,332,073. Of this amount, \$293,277 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$480,680, an increase of \$55,182 in comparison with the prior year. Of the total amount, \$293,277 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$293,277, or 112% of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Bingham Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Bingham Township does not have any business-type activities (examples would include water and sewer, golf courses, cemeteries, etc.).

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bingham Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Bingham Township are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Bingham Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Township Improvement Fund, and the Building Authority Debt Fund which are all considered major funds. All Township government activities are included in these three funds.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## General Fund Analysis and Highlights

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund and the total fund balance was \$293,277. Unreserved fund balance represents 112% of total General Fund expenditures.

The fund balance of the Township's General Fund decreased by \$37,576 during the current fiscal year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## Analysis of Balances and Transactions of the Other Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Improvement Fund

The Public Improvement Fund is maintained by the Township to pay for specific improvements in the Township. Major revenues for this fund are interest. At the end of the current fiscal year, the total fund balance was \$77,854. The fund balance of the Township's Improvement Fund increased by \$12,041 during the current fiscal year. Examples of how this fund was used include capital improvements in fire and rescue equipment, office furniture and equipment, and building improvements. In previous fiscal years, the fund was used to pay for fire and rescue, building improvements and fire and rescue equipment.

## Building Authority Debt Fund

The Building Authority Debt Fund was created to account for property taxes levied to pay off bonded indebtedness incurred to construct a facility for the Fire and Rescue Authority. During the year property tax collections amounted to \$78,785 and \$74,570 was remitted to the Building Authority to pay for debt service. The ending fund balance was \$109,549.

## Condensed Financial Information and Analysis of Balances and Transactions of the Township's Funds

	June 30, 2008		June 30, 2007	
	Governmental Activities	Total	Governmental Activities	Total
Current and Other Assets	\$ 480,680	\$ 480,680	\$ 451,162	\$ 451,162
Capital and Intangible Assets	851,393	851,393	856,965	856,965
Total Assets	<u>\$ 1,332,073</u>	<u>\$ 1,332,073</u>	<u>\$ 1,308,127</u>	<u>\$ 1,308,127</u>
Long-term Liabilities	\$ -	\$ -	\$ -	\$ -
Other Liabilities	-	-	(357)	(357)
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (357)</u>	<u>\$ (357)</u>
Net Assets:				
Invested in Capital Assets	\$ 851,393	\$ 851,393	\$ 856,965	\$ 856,965
Restricted	187,403	187,403	94,645	94,645
Unrestricted	293,277	293,277	356,874	356,874
Total Net Assets	<u>\$ 1,332,073</u>	<u>\$ 1,332,073</u>	<u>\$ 1,308,484</u>	<u>\$ 1,308,484</u>

## Tobin & Co.

	June 30, 2008		June 30, 2007	
	Governmental Activities	Total	Governmental Activities	Total
<b>Program Revenues</b>				
Charges for Services	\$ 21,063	\$ 21,063	\$ 31,493	\$ 31,493
Operating Grants and Contributions	5,717	5,717	5,660	5,660
<b>General Revenues</b>				
Property Taxes	145,306	145,306	459,044	459,044
State Shared Revenues	165,810	165,810	164,970	164,970
Unrestricted Investment Earnings	17,565	17,565	24,127	24,127
Miscellaneous	8,258	8,258	5,223	5,223
<b>Total Revenues</b>	<u>363,719</u>	<u>363,719</u>	<u>690,517</u>	<u>690,517</u>
<b>Program Expenses</b>				
Legislative	55,156	55,156	66,984	66,984
General Government	135,128	135,128	123,985	123,985
Public Safety	38,836	38,836	449,843	449,843
Public Works	74,570	74,570	-	-
Recreation and Cultural	36,440	36,440	45,366	45,366
Other	-	-	14,924	14,924
<b>Total Expenses</b>	<u>340,130</u>	<u>340,130</u>	<u>701,102</u>	<u>701,102</u>
<b>Change in Net Assets</b>	<u>\$ 23,589</u>	<u>\$ 23,589</u>	<u>\$ (10,585)</u>	<u>\$ (10,585)</u>

### Capital Asset and Debt Administration

#### Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$847,029. This investment in capital assets includes: several parcels of land, Township Hall, Fire and Rescue buildings, Fire and Rescue trucks and equipment, and computers. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. This fiscal year the amount by which depreciation exceeded capital outlays was \$5,476.

#### Cash Assets

At the end of the current fiscal year, the Township had \$480,680 in cash and other spendable assets. Of this amount, \$100,000 was a certificate of deposit and was earning interest; the remainder was held in the Township's interest bearing checking accounts. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

#### Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding. However, the Township is contingently liable for approximately 50% of the Building Authority's debt of \$1,630,000.

#### Requests for Information

This financial report is designed to provide a general overview of Bingham Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ross Ard, Supervisor.

# Tobin & Co.

## Bingham Township Statement of Net Assets June 30, 2008

	<u>Primary Government</u> Governmental Activities And Total
<u>Assets</u>	
Cash and Cash Equivalents	\$ 480,680
Capital Assets	
Land	779,550
Other Capital Assets, Net of Depreciation	67,479
Intangible Assets, Net of Amortization	<u>4,364</u>
Total Assets	<u>1,332,073</u>
<u>Liabilities</u>	
Total Liabilities	<u>-</u>
Net Assets	
Invested in Capital and Intangible Assets, Net of Related Debt	851,393
Restricted for:	
Public Improvements	77,854
Building Authority Debt	109,549
Unrestricted	<u>293,277</u>
Total Net Assets	<u>\$ 1,332,073</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Statement of Activities June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities and Total</u>
Governmental Activities:				
Legislative	\$ 55,156	\$ -	\$ -	\$ (55,156)
General Government	135,128	21,063	5,717	(108,348)
Public Safety	38,836	-	-	(38,836)
Public Works	74,570	-	-	(74,570)
Recreation and Culture	<u>36,440</u>	<u>-</u>	<u>-</u>	<u>(36,440)</u>
Total Governmental Activities	<u>\$ 340,130</u>	<u>\$ 21,063</u>	<u>\$ 5,717</u>	<u>(313,350)</u>
General Revenues:				
Property Taxes				145,306
Grants and Contributions Not Restricted to Specific Programs				165,810
Unrestricted Investment Earnings				17,565
Miscellaneous				<u>8,258</u>
Total General Revenues				<u>336,939</u>
Change in Net Assets				23,589
Net Assets – Beginning				<u>1,308,484</u>
Net Assets – Ending				<u>\$ 1,332,073</u>

See Accompanying Notes to Basic Financial Statements

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Bingham Township  
Balance Sheet  
Governmental Funds  
June 30, 2008

	<u>General</u>	<u>Public Improvement</u>	<u>Building Authority Debt</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 293,277	\$ 77,854	\$ 109,549	\$ 480,680
Total Assets	<u>\$ 293,277</u>	<u>\$ 77,854</u>	<u>\$ 109,549</u>	<u>\$ 480,680</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unrestricted	<u>293,277</u>	<u>77,854</u>	<u>109,549</u>	<u>480,680</u>
Total Fund Balances	<u>293,277</u>	<u>77,854</u>	<u>109,549</u>	480,680
Total Liabilities and Fund Balances	<u>\$ 293,277</u>	<u>\$ 77,854</u>	<u>\$ 109,549</u>	
Amounts reported for governmental activities on the statement of net assets are different because:				
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.				<u>851,393</u>
Net assets of governmental activities.				<u>\$ 1,332,073</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	<u>General</u>	<u>Public Improvement</u>	<u>Building Authority Debt</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Taxes	\$ 92,542	\$ -	\$ 78,785	\$ 171,327
Licenses and Permits	3,610	-	-	3,610
State Grants	165,810	5,717	-	171,527
Charges for Services	21,063	-	-	21,063
Interest and Rents	13,154	2,934	1,932	18,020
Other	<u>4,193</u>	<u>-</u>	<u>-</u>	<u>4,193</u>
Total	<u>300,372</u>	<u>8,651</u>	<u>80,717</u>	<u>389,740</u>
<b><u>Expenditures</u></b>				
Legislative	55,156	-	-	55,156
General Government	107,649	-	-	107,649
Public Safety	38,836	-	-	38,836
Public Works	-	-	74,570	74,570
Recreation and Culture	36,440	-	-	36,440
Other	<u>21,907</u>	<u>-</u>	<u>-</u>	<u>21,907</u>
Total	<u>259,988</u>	<u>-</u>	<u>74,570</u>	<u>334,558</u>
Excess Revenues (Expenditures)	<u>40,384</u>	<u>8,651</u>	<u>6,147</u>	<u>55,182</u>
Other Financing Sources (Uses)				
Transfers In	30,610	34,000	74,570	139,180
Transfers Out	<u>(108,570)</u>	<u>(30,610)</u>	<u>-</u>	<u>(139,180)</u>
Total	<u>(77,960)</u>	<u>3,390</u>	<u>74,570</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(37,576)	12,041	80,717	55,182
Fund Balance – Beginning of Year	<u>330,853</u>	<u>65,813</u>	<u>28,832</u>	
Fund Balance – End of Year	<u>\$ 293,277</u>	<u>\$ 77,854</u>	<u>\$ 109,549</u>	
Governmental funds defer property tax revenues more than sixty days after the year-end as unavailable financial resources for the financial statements. In the statement of activities these are not deferred.				(26,021)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.				<u>(5,572)</u>
Change in Net Assets of Governmental Activities.				<u>\$ 23,589</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Bingham Township Statement of Fiduciary Net Assets June 30, 2008

<u>Assets</u>	<u>Agency Funds</u>
Cash	\$ 10,211
Total Assets	<u>\$ 10,211</u>
 <u>Liabilities</u>	
Undistributed Taxes and Interest	\$ 10,211
Total Liabilities	<u>\$ 10,211</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements



# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Bingham Township is a general law township located in Leelanau County. Population as of the 2000 census was 2,425, and the current state equalized and taxable values are \$277,924,650 and \$165,887,934, respectively.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds, if any, are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

#### E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 years
Building Improvements	15 years
Machinery and Equipment	5-10 years

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$277,924,650	\$165,887,934	.5000
Fire Operations	\$277,924,650	\$165,887,934	2.3000
Fire and Rescue Building	\$277,924,650	\$165,887,934	.4741
Fire Rescue	\$277,924,650	\$165,887,934	.4898

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, one cost center overexpended its budget without formal Board amendment. In addition, transfers were not budgeted.

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Bingham Township Notes to Financial Statements June 30, 2008

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$484,401 deposited with a local financial institution at June 30, 2008 with a carrying value of \$490,891. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$294,401 of uninsured deposits at June 30, 2008.

### NOTE 4 - CAPITAL ASSETS/INTANGIBLE ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Land	\$ 779,550	\$ -	\$ -	\$ 779,550
Buildings and Improvements	63,969	-	-	63,969
Furniture and Equipment	51,200	-	-	51,200
	894,719	-	-	894,719
Less Accumulated Depreciation	(42,328)	(5,362)	-	(47,690)
	<u>\$ 852,391</u>	<u>\$ (5,362)</u>	<u>\$ -</u>	<u>\$ 847,029</u>

Intangible assets of governmental activities consisted of the following at June 30,

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Roads	\$ 4,574	\$ -	\$ -	\$ 4,574
Less Accumulated Depreciation	(96)	(114)	-	(210)
	<u>\$ 4,478</u>	<u>\$ (114)</u>	<u>\$ -</u>	<u>\$ 4,364</u>

### NOTE 5 - INVENTORIES

Bingham Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 6 - PENSION PLAN

The Township does not sponsor a retirement plan.

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# **Tobin & Co.**

## **Bingham Township Notes to Financial Statements June 30, 2008**

### **NOTE 7 - PROPERTY TAX ADMINISTRATION FEES**

The Township does not charge a property tax collection fee.

### **NOTE 8 - CONTINGENT LIABILITIES**

The Township with Suttons Bay Township formed the Bingham Suttons Bay Joint Building Authority. The Authority sold bonds amounting to \$1,975,000 in 2005 in order to construct a facility for the Suttons Bay-Bingham Fire and Rescue Authority. Each Township levies a tax to provide funds for debt service of the Authority. At June 30, 2008 the outstanding bonds totaled \$1,630,000 with interest being due on May 1 and November 1 and principal payments due on May 1, annually. At the time the bonds are paid off the facility will be turned over to the Fire and Rescue Authority; thus, the transaction is being accounted for as a direct financing lease by the Authority. The Townships have each guaranteed approximately one half of the bonds.

### **NOTE 9 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 10- COMPENSATED ABSENCES**

The Township provides no compensated absences for its employees.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

## Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 82,944	\$ 82,944	\$ 83,045	\$ 101
Delinquent Taxes	-	-	75	75
Penalties and Interest on Taxes	10,000	10,000	9,422	(578)
Licenses and Permits:				
Zoning Permits	11,700	11,700	3,610	(8,090)
State Grants:				
State Shared Revenues	167,000	167,000	165,810	(1,190)
Charges for Services:				
Cemetery Lots	1,000	1,000	3,600	2,600
Tax Collection Fees	7,364	7,364	7,441	77
Other	10,400	10,400	10,022	(378)
Interest and Rents:				
Interest	15,000	15,000	12,699	(2,301)
Rents	450	450	455	5
Other:				
Miscellaneous	4,126	4,126	4,193	67
Total Revenues	<u>309,984</u>	<u>309,984</u>	<u>300,372</u>	<u>(9,612)</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,596	-
Legal and Contractual	-	-	46,775	-
Printing and Publishing	-	-	1,342	-
Dues	-	-	2,949	-
Education and Travel	-	-	494	-
Total	<u>56,066</u>	<u>56,066</u>	<u>55,156</u>	<u>910</u>
Total Legislative	<u>56,066</u>	<u>56,066</u>	<u>55,156</u>	<u>910</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	15,000	-
Total	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Elections:				
Salaries and Wages	-	-	2,553	-
Supplies	-	-	730	-
Printing, Postage and Other	-	-	208	-
Total	<u>5,300</u>	<u>5,300</u>	<u>3,491</u>	<u>1,809</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Assessor:				
Salaries	-	-	23,153	-
Total	25,448	25,448	23,153	2,295
Clerk:				
Salaries	-	-	23,149	-
Total	23,341	23,341	23,149	192
Board of Review:				
Salaries	-	-	1,045	-
Total	1,250	1,250	1,045	205
Treasurer:				
Salaries	-	-	23,472	-
Supplies	-	-	118	-
Total	23,650	23,650	23,590	60
Township Hall and Grounds:				
Supplies and Postage	-	-	9,647	-
Communications	-	-	1,923	-
Printing and Publishing	-	-	2,107	-
Public Utilities	-	-	3,272	-
Maintenance and Repairs	-	-	618	-
Total	24,170	24,170	17,567	6,603
Cemetery:				
Salaries	-	-	175	-
Supplies	-	-	182	-
Maintenance and Repairs	-	-	297	-
Total	1,520	1,520	654	866
Total General Government	119,679	119,679	107,649	12,030

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

## Bingham Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule I  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
<u>General Government (Continued):</u>				
Public Safety:				
Planning:				
Salaries	-	-	3,270	-
Contractual Services	-	-	35,121	-
Education	-	-	345	-
Total	<u>40,900</u>	<u>40,900</u>	<u>38,736</u>	<u>2,164</u>
Zoning Board of Appeals:				
Salaries	-	-	45	-
Education	-	-	55	-
Total	<u>1,010</u>	<u>1,010</u>	<u>100</u>	<u>910</u>
Total Public Safety	<u>41,910</u>	<u>41,910</u>	<u>38,836</u>	<u>3,074</u>
Recreation and Culture:				
Library	-	-	33,684	-
Park	-	-	2,256	-
Senior Center	-	-	500	-
Total Recreation and Culture	<u>49,500</u>	<u>49,500</u>	<u>36,440</u>	<u>13,060</u>
Other Functions:				
Insurance	11,000	11,000	14,069	(3,069)
Social Security and Medicare	<u>8,000</u>	<u>8,000</u>	<u>7,838</u>	<u>162</u>
Total Other Functions	<u>19,000</u>	<u>19,000</u>	<u>21,907</u>	<u>(2,907)</u>
Total Expenditures	<u>286,155</u>	<u>286,155</u>	<u>259,988</u>	<u>26,167</u>
Excess Revenues (Expenditures)	<u>23,829</u>	<u>23,829</u>	<u>40,384</u>	<u>16,555</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	-	-	30,610	30,610
Transfers Out	-	-	(108,570)	(108,570)
Total	-	-	<u>(77,960)</u>	<u>(77,960)</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ 23,829</u>	<u>\$ 23,829</u>	<u>(37,576)</u>	<u>\$ (61,405)</u>
Fund Balance – Beginning of Year			<u>330,853</u>	
Fund Balance – End of Year			<u>\$ 293,277</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Public Improvement Fund  
For the Year Ended June 30, 2008

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grant – Metro Act	\$ 5,000	\$ 5,000	\$ 5,717	\$ 717
Interest	<u>3,000</u>	<u>3,000</u>	<u>2,934</u>	<u>(66)</u>
Total	<u>8,000</u>	<u>8,000</u>	<u>8,651</u>	<u>651</u>
<u>Expenditures</u>				
Capital Outlay	<u>15,500</u>	<u>15,500</u>	<u>-</u>	<u>15,500</u>
Total	<u>15,500</u>	<u>15,500</u>	<u>-</u>	<u>15,500</u>
Excess Revenues (Expenditures)	<u>(7,500)</u>	<u>(7,500)</u>	<u>8,651</u>	<u>16,151</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In			34,000	34,000
Transfers Out	<u>-</u>	<u>-</u>	<u>(30,610)</u>	<u>(30,610)</u>
Total	<u>-</u>	<u>-</u>	<u>3,390</u>	<u>3,390</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ (7,500)</u>	<u>\$ (7,500)</u>	<u>12,041</u>	<u>\$ 19,541</u>
Fund Balance – Beginning of Year			<u>65,813</u>	
Fund Balance – End of Year			<u>\$ 77,854</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Building Authority Debt Fund  
For the Year Ended June 30, 2008

Schedule 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 78,698	\$ 78,698	\$ 78,785	\$ 87
Interest Earned	-	-	<u>1,932</u>	<u>1,932</u>
Total	<u>78,698</u>	<u>78,698</u>	<u>80,717</u>	<u>2,019</u>
<u>Expenditures</u>				
Fire Operations	<u>78,698</u>	<u>78,698</u>	<u>74,570</u>	<u>4,128</u>
Total	<u>78,698</u>	<u>78,698</u>	<u>74,570</u>	<u>4,128</u>
Excess Revenues (Expenditures)	-	-	<u>6,147</u>	<u>6,147</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	-	-	74,570	74,570
Transfers Out	-	-	-	-
Total	-	-	<u>74,570</u>	<u>74,570</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	80,717	<u>\$ 80,717</u>
Fund Balance – Beginning of Year			<u>28,832</u>	
Fund Balance – End of Year			<u>\$ 109,549</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Bingham Township  
Combining Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended June 30, 2008

Schedule 4

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<u>Assets</u>				
Cash	\$ 2,540	\$ 4,478,664	\$ 4,470,993	\$ 10,211
Total Assets	\$ 2,540	\$ 4,478,664	\$ 4,470,993	\$ 10,211
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 2,540	\$ 4,478,664	\$ 4,470,993	\$ 10,211
Total Liabilities	\$ 2,540	\$ 4,478,664	\$ 4,470,993	\$ 10,211

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Bingham Township 2007 Property Tax Levy and Collections For the Year Ended June 30, 2008

Schedule 5

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	4.9295	\$ 698,303	\$ 666,075	\$ 32,228
County Road Tax	0.4916	81,833	76,880	4,953
County Senior	0.2421	40,302	37,856	2,446
County BATA	0.3283	54,650	51,339	3,311
School District – Operations	18.000	972,061	917,200	54,861
School District – Debt	4.1500	690,933	660,438	30,495
School District – Sinking Fund	0.2389	39,643	38,010	1,633
Intermediate School District	2.9334	488,330	466,823	21,507
State Education	6.0000	995,871	954,857	41,014
Township - General	0.5000	83,228	78,195	5,033
- Fire Operating	2.3000	382,438	359,726	22,712
- Fire Authority	0.4741	78,923	74,142	4,781
- Fire Rescue	0.4898	81,286	76,598	4,688
Recycling		<u>22,175</u>	<u>20,525</u>	<u>1,650</u>
Total		<u>\$ 4,709,976</u>	<u>\$ 4,478,664</u>	<u>\$ 231,312</u>
State Equalized Value		\$277,924,650		
Taxable Value		\$165,887,934		
Percent of Levy Collected		95.09%		

The Notes to the Basic Financial Statements are an integral part of this statement.

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# Tobin & Co.

To the Township Board  
Bingham Township

We have audited the financial statements of Bingham Township for the year ended June 30, 2008 and have issued our report thereon dated October 28, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 10, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Bingham Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

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that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bingham Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

# **Tobin & Co.**

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



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## **Tobin & Co.**

### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Bingham Township and is not intended to be and should not be used by anyone other than these specified parties.

*Tobin & Co., P.C.*

Tobin & Co., P.C.

October 28, 2008